

# School Finance

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## PAYMENT CALCULATIONS

### October Foundation Payment Calculation

The October Basic Formula payment, including Classroom Trust Fund, was calculated using the best data available for each district. Each month's calculation will be made using the best available data reported by the district to DESE. It is important that the district compare DESE's calculations with those generated by the district. Please call or email School Finance (573-751-0357; [webreplyadmsf@dese.mo.gov](mailto:webreplyadmsf@dese.mo.gov)) with questions or concerns about the district's calculations.

### Small Schools Grant

Section 163.044, RSMo, authorizes payments to small schools defined as districts with an average daily attendance (including summer school) of 350 or less. The allocation of the \$15 million appropriation requires that \$10 million be distributed to the eligible districts on an equal amount per prior year average daily attendance. The remaining \$5 million is distributed (on an equal amount per tax rate weighted average daily attendance) to the eligible districts with a current year adjusted Incidental plus Teachers Funds tax rate of \$3.43 or higher and any district which previously had a Incidental plus Teachers Fund tax rate of \$3.43 or higher but currently has a tax rate less than \$3.43 solely due to modification of such levy required under Section 137.073.5(4), RSMo.

The first Small Schools Grant payment for 2015-16 was calculated in October using the best data available for each district. The October payment is 4/12ths of the annualized calculation. The remaining payments will be approximately 1/12th of the annualized calculation. The district's calculation is available through the payment transmittal.

## AUDIT REPORTS

### Fiscal Year 2015 Audit Submissions via Tiered Monitoring System

The following guidelines are provided for the Fiscal Year 2015 Audit Submissions:

- Audits, copies of signed board minutes approving the audit, and management letters should be submitted to DESE via the Tiered Monitoring System. The documents should be in Adobe searchable pdf format, version 11.0 or lower. The file description should be structured in the format "County District Code Document FY15" (i.e. 001090AuditFY15 or 001090BoardMinutesFY15).

- The audit report should be uploaded as “Audit Documents (required fiscal audit)” and the board minutes, management letter and any corrective action plans would be “Audit Documents (supporting docs)” in the file upload dialog box for the 2015-2016 fiscal year. The file upload box will also require adding the contact information for the auditor before the audit report can be uploaded. (Use the [global document repository \(uploads\)](#) link under “Utilities” on the right side of the screen to upload the documents.)
- The deadline for submitting audits is **December 31, 2015**. There is no longer any need to file for an extension of the audit deadline.
- Copies of signed board minutes and management letters may be submitted after the December 31 deadline. These documents should include all required signatures, which is a change from current practice.
- The school, not the auditor, is responsible for ensuring that the audit, board minutes, and management letter are submitted to DESE in compliance with the provisions of the audit rule. With the change of audit submission via the Tiered Monitoring System, the auditor should not have access to this system and therefore not be able to upload the audit documents.
- To minimize the need for subsequent audit corrections, schools are strongly encouraged to complete the following checklist prior to submitting the audit:
  - The pages of the audit have been compared to the Table of Contents, and no pages are missing or out of order. Audits with missing pages may be rejected as incomplete.
  - The audit includes the auditor’s signature and the date of the audit report. Audit reports that are not signed and dated may be considered a draft, not a final report. Draft reports cannot be accepted in satisfaction of the audit requirement.
  - The ending debt balances in the audit report (reported in the financial statements and/or Notes to the Financial Statements) agree to the balances reported in Part IV, Long and Short Term Debt, of the Annual Secretary of the Board Report (ASBR). Any differences should be reconciled.
  - The audit includes the updated version of the Schedule of Selected Statistics, which can be found at <http://dese.mo.gov/financial-admin-services/school-audits>.
  - The data reported on the Schedule of Selected Statistics agrees to the corresponding data on the ASBR and MOSIS/Core Data. If changes to the ASBR and/or MOSIS/Core Data are needed as a result of the review, please revise and resubmit corrections as soon as possible and notify your auditor of any changes.
  - Submit/upload corrective action plans for federal and state findings in a separate document from the audit report.
  - The audit submission includes the district’s Single Audit, if applicable. There is no provision in the rule allowing the Single Audit portion of the audit to be submitted at a later date.

## OTHER IMPORTANT REMINDERS AND TOPICS OF INTEREST

### Attendance Reporting

For guidance regarding various attendance reporting scenarios please refer to the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance/finance-topics-procedures> and select Attendance Reporting from the General Guidance section.

### Transfer Projections – 7%, 5% and Transportation

Projections for the \$162,326 or 7% x SAT x WADA transfer, the FY06 Designated Levy or 5% x SAT x WADA transfer, and the transportation transfer are available on the School Finance website at <http://dese.mo.gov/financial-admin-services/school-finance/data-reports>. These are preliminary calculations for the 2015-2016 year. Final calculations will be available June 2016.

### Minimum Salary Requirements

The minimum teacher’s salary is \$25,000 and the minimum salary for a full-time teacher with a master’s degree with at least ten years public teaching experience is \$33,000.

All teachers are to receive at least their FTE proration of the applicable state minimum salary. Teachers include study hall teachers, in-school suspension teachers, and all others for whom the students' hours are included in the average daily attendance calculation for state aid. Substitute teachers filling a regular classroom teacher's position as the teacher-of-record for the class must be paid the minimum salary.

The penalty for noncompliance with the minimum salary requirements of Section 163.172, RSMo, is stated in Section 163.021.3, RSMo. The statutory penalty for noncompliance is a reduction of the Basic Formula to the 1993-94 amount per eligible pupil. Therefore, it is important that each district ensures compliance with the minimum salary requirements. Questions on specific situations may be directed to the School Finance staff at 573-751-0357.

## SCHOOL GOVERNANCE

### Health Insurance Coverage for Retirees

The Department receives questions from time to time regarding eligibility for health insurance coverage for individuals who are retiring, or who have retired, and are receiving or eligible to receive retirement benefits from a Missouri school employee retirement system. This eligibility is provided for in Section 169.590 RSMo., <http://www.moga.mo.gov/statutes/C100-199/1690000590.HTM>. If you have questions please contact Roger Dorson, Financial and Administrative Services, at 573-751-0357.

### Relative Caregiver

SB 532 was passed by the General Assembly in the 2014 legislative session and signed by the governor on July 9, 2014. This bill became effective on August 28, 2014 and makes changes to Sections 431.058, 431.061, and 431.062 RSMo., which has an impact on school districts and residency issues.

The main change is the creation of the role of "relative caregiver". By signed affidavit a person, who is a relative of a child by blood, marriage, or adoption, may enroll that child in school if the child resides with the relative caregiver. The enrollment would have to be in a school within the district where the relative caregiver resides. The relative caregiver can also give consent for medical treatment.

Prior to this legislation, the law, in most situations, required a student to be living in the school district with a parent or legal guardian in order to be able to enroll in school. The school district could waive this requirement for hardship or good cause. The school district is the determiner of what constitutes hardship or good cause.

This legislation adds the relative caregiver to parents and legal guardians as persons who can enroll a student in school. If you have questions regarding this topic please contact Roger Dorson at 573-751-0357 or at [roger.dorson@dese.mo.gov](mailto:roger.dorson@dese.mo.gov).

## SCHOOL TRANSPORTATION

### 2015-16 State Transportation Aid Calculation

The fiscal year 2015-16 state transportation aid calculation is available through the School Finance website. Select Monthly Financial Reports. Input County-District number. The Payment Transmittal is then displayed. Click on the revenue name "Transportation" on the Payment Transmittal to access the transportation aid calculation. The link to School Finance Monthly Financial Reports is <http://dese.mo.gov/financial-admin-services/school-finance/financial-reports>.

This is the first live state transportation calculation made for the current year. The calculation is based on 2014-15 school year data submitted by the district on the state transportation aid documents included in Part IV of the Annual Secretary of the Board Report (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules).

The percent of reduction to the calculated entitlement computed for the October 2015 calculation is shown below. This reduction percentage represents the amount the entitlement exceeded the appropriation and will fluctuate from month to month as revisions are made to individual school district data. The percent of reduction and the A and B factors are also reflected on each district's Summary Transportation Report.

The percentage reduction and the A and B factors are as follows:

	<u>Reduction Factor</u>	<u>A Factor</u>	<u>B Factor</u>
October 2015	64.633604	3.431839	-1.401836

### School Bus Aisle Blocking

State Board of Education Rule 5 CSR 30-261.010 requires that school bus aisles not be blocked. As your district makes field trips and activity trips this year, please ensure that all school bus drivers know and adhere to this rule. The aisles must be free of any obstruction so the bus, if needed, could be evacuated quickly without difficulties caused by the aisles being blocked by trash cans, coolers, book bags, band equipment, or other items.

### School Bus Driver Seat Belt Use

5 CSR 30-261.010, RSMo (Requirements for the Operation of School Buses), requires school bus drivers to use their seat belt whenever the bus is in motion. Please verify compliance with this requirement within your school district.

### Non-Conforming Van Use

Any vehicle that transports 11 or more passengers including the driver that is newly purchased, leased, or contracted must be a school bus and meet all Missouri Minimum Standards for School Buses as well as all Federal Motor Vehicle Safety Standards for School Buses (with the exception of motor coaches).

*This means that a school district cannot purchase, contract, or rent 12/15/17 passenger vans for the transportation of school children.*

## Deputy Commissioner's Comments

### Revenue Trends YTD

	YTD as of <u>September FY15</u>	YTD as of <u>September FY16</u>	Revenue <u>Change</u>	<u>% Change</u>
Individual Income Taxes	\$1,420,000,000	\$1,500,000,000	\$80,000,000	5.63%
Sales & Use Taxes	\$512,800,000	\$523,900,000	\$11,100,000	2.16%
Corporate Inc. & Franchise	\$131,000,000	\$126,300,000	(\$4,700,000)	-3.59%
Other Collections	\$90,200,000	\$92,100,000	\$1,900,000	2.11%
Increase in Revenue YTD			<b>\$88,300,000</b>	<b>4.10%</b>
Refunds (YTD)	\$124,800,000	\$147,100,000	\$22,300,000	Refund <u>Change</u> 17.87%
(A decrease in refunds enhances Net Revenue. An increase in refunds diminishes Net Revenue.)				
Actual Net Revenue Status YTD	\$2,029,200,000	\$2,095,200,000	\$66,000,000	<b>3.25%</b>

### School District Trust Fund (Proposition C)

Amount Paid to Districts for Month	<u>(Oct) Prior Year</u>	<u>(Oct) Current Year</u>	<u>% Change</u>
	\$61,147,565	\$71,925,334	17.63%
Amount Paid to Districts YTD	<u>Prior Year</u>	<u>Current Year</u>	
	\$280,068,740	\$294,645,585	5.20%
Appropriation	\$848,739,000	(Percentage of Appropriation Paid YTD 34.72%)	

### Gaming Revenue Trend

	<u>(Sept) Prior Year</u>	<u>(Sept) Current Year</u>	<u>% Change</u>
Total Gaming Proceeds to Education	\$81,365,478	\$79,979,203	-1.78%
Gaming Revenue Appropriated	\$343,456,910		

FY16 Classroom Trust Fund Distribution Paid YTD Through Current Mont's Payment: \*\$81,590,910 (23.76% of Appropriation)  
 \*(Includes \$0.00 unclaimed Lottery funds, \$13,466,456 carryover Gaming funds.)

- General Revenue:** Thus far the first quarter of FY16 has been up and down. August was strong, but July and September lagged. That said this year does remain ahead of FY15. You are urged to be attentive to the revenue trend going forward, especially as the budget process gets underway. We do know that due to the demand for spending across the other agencies there will tremendous pressure on the General Assembly as it attempts to craft a budget that deals with the many issues facing the state. It is imperative that revenue increases at a faster rate if both the needs and wants of the state can be significantly addressed.
- Proposition C:** The Prop C Revenue collections continue to look favorable. If the percentage as of October holds steady we are on target to reach the appropriation level again this year. As you well know, we have seen strong collections in the first half of the year only to diminish during the second. We do know, however, that lower gas prices continue to result in citizens having more money to spend on consumer goods, which has had tremendous positive impact on these collections.

3. **FY16 Foundation Formula Payments:** Now that more accurate data has been provided you will note that the payment SAT for October was lowered to \$6,107. As per statute, there is no longer a percentage adjustment and all payment adjustments to formula districts must be made through the SAT. The primary reason for the lower amount is increased payment weighted average daily attendance. We continue to closely monitor the revenue situation and are hopeful that the available revenue through lottery and gaming will stabilize and allow the payment to move back close to the original projection of \$6,110. As in past years, every effort will be made to avoid a significant negative adjustment at the time of the final payment.

The view from the sixth floor window in Jefferson City at this time of the year is absolutely beautiful. In spite of the recent lack of moisture the trees are beginning to show their colors. Fall is truly my favorite time of the year. I hope everyone, especially those who live in areas of Missouri that are aglow in the splendor of nature, will take some time to pause and reflect about the blessings we have to enjoy in life. Too often we get bogged down in the issues of the day and let pass the important things that are around us. If we do that, it will help us reaffirm that things are not really as bad as some say they are and we will be inspired to do all that we can to assure the American Dream remains alive for all Missouri's children.

My best wishes to each of you.



Ronald Lankford

## School Finance

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